

Bureau Says For-Profit Colleges Lied to Students

A college education is supposed to open the doors to life-long careers and entry into America's middle class. Yet, students that enrolled at one of the more than 100 Corinthian College campuses across the country had college experiences characterized by predatory lending, illegal debt collections, and one-day "career" jobs. Corinthian Colleges operate schools under the names of Heald College, Everest and Wyotech.

On September 16, the Consumer Financial Protection Bureau (CFPB) filed a lawsuit against the for-profit Corinthian Colleges, seeking \$569 million in forgiveness of loans. An estimated 130,000 private loans students were entered into from July 21, 2011 to the present. March 2013 enrollments totaled about 74,000 students for all of its campuses.



RESPONSIBLE LENDING

Charlene Crowell

associate degree came with a price tag ranging from \$33,000 to \$43,000. The costs for a bachelor's degree ran higher from \$60,000 to \$75,000.

To cover tuition and fees, students were financially forced into the college's "Genesis loans," created in concert with investment banks and financial institutions. These loans were much more expensive than federal loans. In July 2011, the Genesis loan interest rate was about 15 percent with an additional loan origination fee of 6 percent. At the same time, federal student interest rates ranged

from 3 to 7 percent, depending upon the type of loan, and had either low or no charges for origination. Corinthian needed its loan program in order to comply with a federal law that required no more than 90 percent of an institution's funding to come from federal sources. The lawsuit alleges that Corinthian knew that most students would default. Worst of all, loan repayment on most of the private-label loans began as soon as students started classes. By comparison, federal loan repayments typically begin six months after students either graduate or drop out of school.

CFPB found that more than 60 percent of Corinthian students defaulted on their loans within three years. To encourage strong collection rates, CFPB alleges that Corinthian paid its staff bonuses on how well they got students to keep their loan payments current. Informing instructors about overdue debts, meetings with the campus president and pulling students from class were only three of the tactics used to shame students. If students became late on loan payments, they were denied computer access, prevented from buying books, blocked

from signing up for classes and even held diplomas until repayments became current. CFPB said even more abuses were inflicted on Corinthian students who managed to graduate. Although the schools directed students to its 'career services office,' only a job postings list was provided. In other instances, Corinthian paid legitimate employers to hire its graduates on a temporary basis, and then counted these jobs as part of the school's "career" placement – even if the job lasted only a day.

The legal action taken by CFPB is not the only one Corinthian Colleges faces.

This June, the Department of Education increased its financial oversight after Corinthian failed to address concerns about its practices, including falsifying job placement data used in marketing claims to prospective students and allegations of altered grades and attendance. The Department also imposed a 21-day waiting period before Corinthian could draw down federal student aid revenues tied to enrollment. A few weeks later in July, the Department of Education appointed a monitor empowered to have full and complete access to Corinthian personnel and budgets.

Additionally, Corinthian

is also being investigated by 20 state attorneys general and received a federal grand jury subpoena in Florida, and another from Georgia. The Peach State is examining the colleges' job placement, attendance and graduation, while the Sunshine State wants to know more about employee misconduct and student aid funds.

A web-based resource from Student Loan Borrower Assistance is available for current or former Corinthian students to better understand refunds, discharge rights and more.

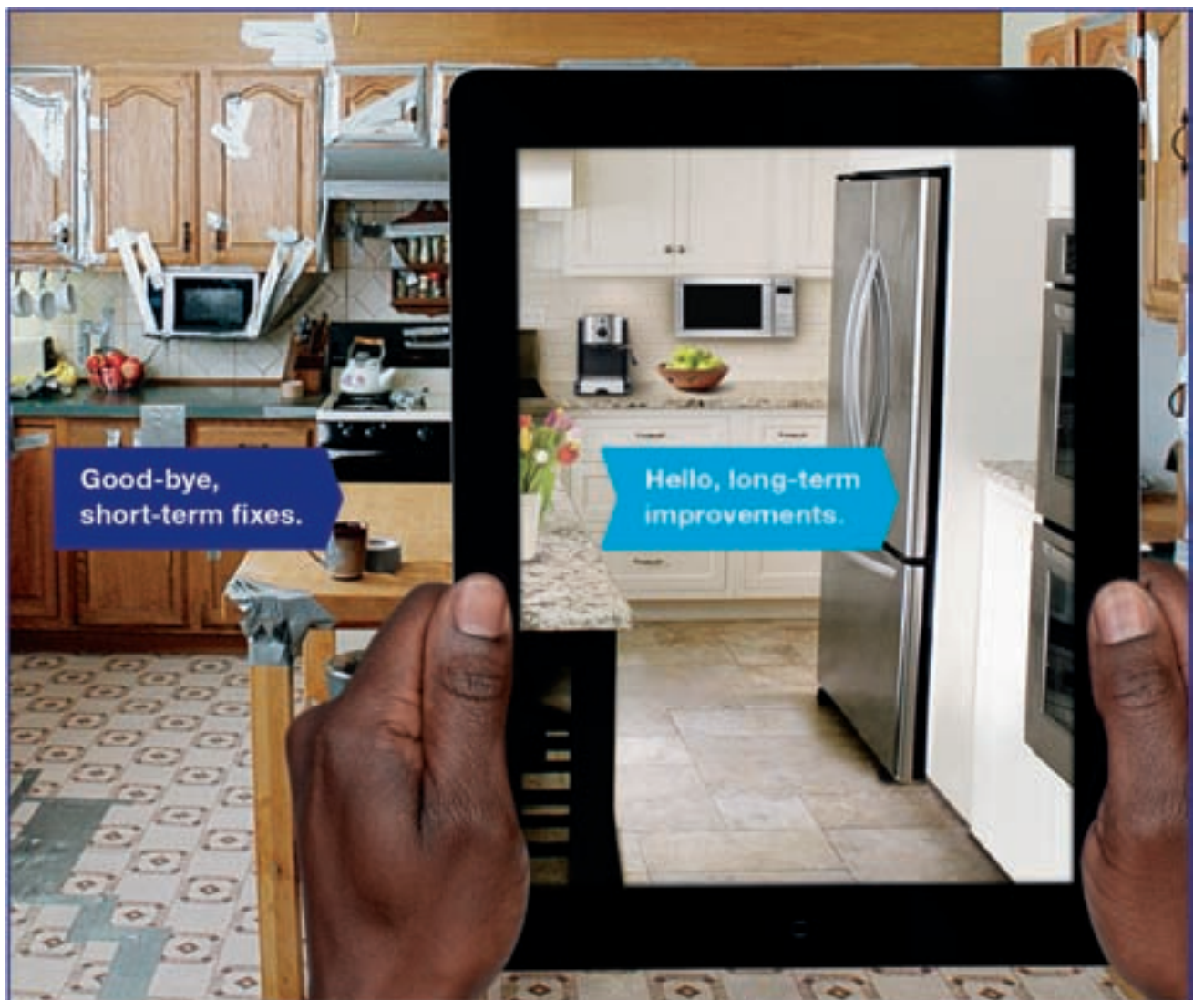
'We believe Corinthian lured in consumers with lies about their job prospects, sold high-cost loans, and then harassed students while still in school'

"We believe Corinthian lured in consumers with lies about their job prospects upon graduation, sold high-cost loans to pay for that false hope, and then harassed students for overdue debts while they were still in school," said Richard Cordray, CFPB Director.

CFPB alleges that Corinthian used bogus advertising targeted to low-income students who were often the first generation of their family to attend college. Exploiting their limited exposure to the world of higher education, ads promised job prospects and careers that never happened. Further, its tuition costs were so high that an

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